

**Report to the Audit & Governance
Committee**



Report reference: AGC-022-2009/10
Date of meeting: 8 February 2010

**Epping Forest
District Council**

Portfolio: Finance & Economic Development
Subject: Internal Audit Monitoring Report – October to December 2009
Responsible Officer: Brian Bassington (01992 564446).
Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee is requested to note the following issues arising from the Internal Audit Team's third quarter monitoring report for 2009/10:

- (a) The reports issued between October and December 2009 and significant findings (Appendix 1);
- (b) The Outstanding Priority 1 Actions Status Report (Appendix 2);
- (c) The Limited Assurance Audits follow up status report (Appendix 3);
- (d) The 2009/10 Audit Plan status report (Appendix 4); and
- (e) The Governance Statement 2008/09 Action Plan (Appendix 5):

2. The Committee is also requested to confirm that it is satisfied with the effectiveness of the work of Internal Audit in the third quarter 2009/10.

Executive Summary:

This report provides a summary of the work undertaken by the Internal Audit Unit between October and December 2009, and details the overall performance to date against the Audit Plan for 2009/10. The report also contains a status report on previous priority 1 audit recommendations.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

Work carried out in the period

1. The audit reports issued in the third quarter are listed in paragraph 6 below.
2. A number of systems audits and follow up reviews were carried out in the third quarter, which has concentrated on the safeguarding of assets, cash handling and processing and payroll, all of which have provided satisfactory assurance in the processes.
3. The Audit Team has continued to provide advice and guidance on a range of subjects to management over the period ranging from the application and interpretation of Contract Standing Orders to the disposal of redundant stocks.
4. Attendance by the Chief Internal Auditor at a number of Corporate officer groups including Corporate Governance, review of Contract Standing Orders and Financial Regulations and Use of Resources continues and supervision and management time has included quality assurance of audit reports and working files.
5. No investigation work was required in the quarter. Work continues on the data provided under the National Fraud Initiative (NFI), which is the Audit Commission's biennial data matching exercise designed to identify potential fraudulent payments. Potential matches are being investigated by staff in Finance and ICT relating to taxi drivers, market traders and sub letting of Council housing, the result of which will be reported to the Audit and Governance Committee on completion of this work.

Reports Issued and Significant Observations

6. The following audit reports were issued in the third quarter:

- (a) Substantial Assurance
None.
- (b) Satisfactory Assurance
Payroll;
Human Resources / Payroll Integration (ICT);
Performance Indicators;
Inventory Control;
Cash Receipting and Income Control;
Members Gifts and Hospitalities;
Non HRA Repairs and Maintenance;
Asset Management; and
Verification of Cash Floats.
- (c) Limited Assurance
None.
- (d) No Assurance
None.

7. Audits of Housing and Council Tax Benefits and Council Tax Billing and Collection were substantially complete as at 31 December 2009, but had not reached the draft report stage.

Follow Up of Previous Limited Assurance Audits (Appendix 3)

8. Attached at Appendix 3 is a summary schedule designed to monitor the follow up of previous limited assurance audits as an aid to ensuring timely and adequate follow up both by Internal Audit and Service Management. The table will be populated during the year as follow up audits are completed, with specific reference to any failure to comply with priority one recommendations.

Audit Plan 2009/10 (Appendix 4)

9. The current status of the planned audits in the 2009/10 Audit Plan is set out at Appendix The Council's main financial systems will all be audited during 2009/10, and the Council's External Auditors, PKF (UK) LLP will review the Internal Audit work and report in due course on the reliance that can be placed on it for the purposes of their audit of the Authority's accounts for 2009/10.

Issues arising from Governance Statement 2008/09 (Appendix 5)

10. The Committee noted the Council's Annual Governance Statement for 2008/09 at the meeting in June 2009. The action plan arising from the Statement is attached at Appendix 5 and progress against the targets will be monitored throughout the year.

11. Resources Available:

	Actual 9 months April-Dec 09	12 months Est. Apr - Mar 10
Number of days required to meet the audit plan	<u>675</u>¹	<u>900</u>¹
Number of days available based on staff in post	739	1225
Less statutory and annual leave	(106)	(167)
Sick leave / hospital appointments	(57)	(30)
Training	(17)	(30)
Planning, supervision, management and non-chargeable	<u>(80)</u>	<u>(143)</u>
Available audit days	479	855
Add Bought in Days	20	45
Total Audit Days	<u>499</u>	<u>900</u>

Note¹ audit days available if full establishment achieved

Current Staffing Position

12. The Unit has an establishment of 4.3 full time equivalent (fte) posts with currently a vacancy factor of .8 (fte) which is presently subject to the recruitment process.

13. Cabinet gave approval on 7 September for the external provision of part of the audit plan through a partnership contract, which following a tendering exercise, Deloitte and Touche Public Sector Internal Audit Limited have been appointed. The contract began in December 2009 with the Council Tax audit being substantially complete at the end of the quarter. The contract will account for a further eight audits which are due to be completed by the end of the quarter as detailed on the audit plan (appendix 4).

14. The table above indicates that 60 productive days were lost in the third quarter (compared with 56 in the second quarter), again primarily as a result of the vacancy factor,

staff sickness and staff training. The effect on the work plan continues to be monitored and lower priority audits have been identified for deferral to 2010/11 as detailed on the audit plan (appendix 4).

15. Sickness during the third quarter 2009/10 amounted to 10 days, compared to 18, 6 and 26 days respectively in the preceding three quarters. The third quarter figure includes 2 days for hospital appointments as previously reported. Sickness continues to be monitored and managed in accordance with the Council's management of absence policy with ongoing advice and support from Human Resources.

Performance Management

16. The Internal Audit Team has local performance indicator targets to meet in 2009/10, as set out below:

	Actual 2006/07	Actual 2007/08	Actual 2008/09	Target 2009/10	Actual Oct-Dec 2009/10
% Planned audits completed	82%	89%	95%	90%	57% cumulative
% chargeable "fee" staff time	67%	68%	71%	72%	68%
Average cost per audit day	£314	£307	£309	£320	£318
% User satisfaction	83%	81%	85%	85%	90%

17. The indicators are calculated as follows:

- (a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan as amended for additional work (e.g. investigations) during the year.
- (b) % Chargeable fee time - a calculation is made each quarter based on reports produced from Internal Audit's time recording system.
- (c) Average cost per audit day - the calculation is based on the costs for each quarter divided by the number of fee earning days extracted from the time recording system.
- (d) % User satisfaction - a calculation is made each quarter based on returned client surveys for each audit giving a score on a five point scale 0 (poor) – 5 (excellent). The score is backed up by the client's comments on a range of issues related to the audit.

18. The figure for planned audits completed of 57% falls short of the target of 67% for the first three quarters, again due to the vacancy factor and the work in progress not counted at the end of the period. It is intended that an improved position will be reported at the end of the fourth quarter due to the addition of the contracted out work.

Resource Implications:

Within the report

Legal and Governance Implications:

Within the report

Safer, Cleaner and Greener Implications:

No specific implications

Consultation Undertaken:

Corporate Executive Forum

Background Papers:

Audit files and working papers

Impact Assessments:

Risk Management

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this monitoring report will assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.